Department of Finance
Performance Plan - Overview

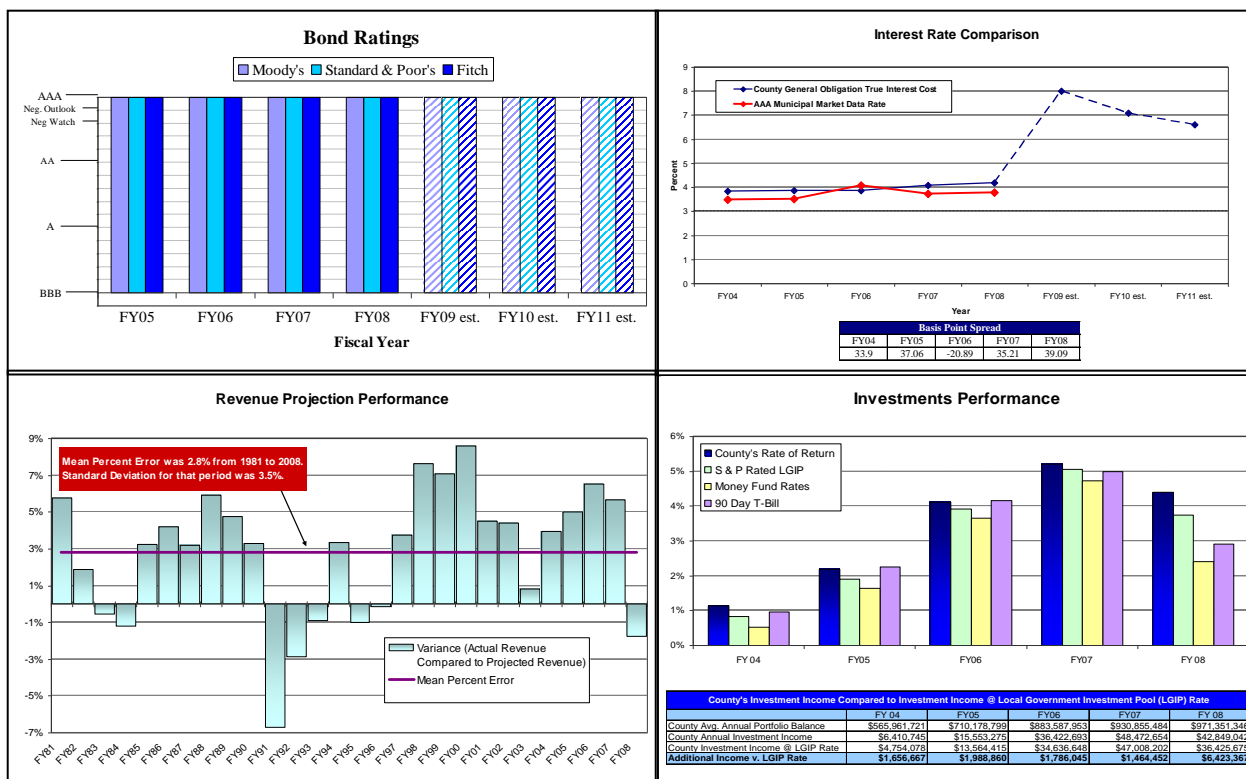## Contribution to Montgomery County Results

Results:

1. **A Responsive, Accountable County Government**
2. **Affordable Housing in an Inclusive Community**
3. **An Effective and Efficient Transportation Network**
4. **Children Prepared to Live and Learn**
5. **Healthy and Sustainable Communities**
6. **Safe Streets and Secure Neighborhoods**
7. **A Strong and Vibrant Economy**
8. **Vital Living for All of Our Residents**

What Finance Does and for Whom	How Much (annual during FY09)
Overall The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.	• **FY09 Budget**: $54,150,990 • **Number of Employees**: 131 • **Workyears**: 115.5
Sound Financial Management ▪ Manage the County's revenues, expenditures, assets, investments, and outstanding debt. ▪ Develop and promulgate sound fiscal policies, and provide consultation and advice to departments and agencies on a wide range of fiscal matters. ▪ Advise the County Executive and County Council on fiscal policy matters, impacts of legislative actions, appropriate approaches to fiscal decisions, and benchmarking against other jurisdictions. ▪ Maintain the County's AAA bond rating.	▪ $5,660,050 ▪ 36.8 workyears ▪ Annually make a presentation to the three major bond rating agencies and provide updates as necessary. ▪ Raise $578 million in debt and lease financings for operating and capital budgets. ▪ Regularly review opportunities for bond refundings in conjunction with market changes. ▪ Invest the County's $900 million average balance investment portfolio. ▪ Process 31,000 procurement card transactions generating $22,000 in rebate revenue. ▪ Produce 800 grant reports.

▪ Actively manage the County's working capital. ▪ Identify bond refunding opportunities. ▪ Promote the County's procurement card program. ▪ Provide regular financial reports, revenue updates, economic updates and continuing disclosure for County bonds. ▪ Achieve the GFOA Certificate of Achievement for Excellence in Financial Reporting.	▪ Produce all financial reports in accordance with applicable standards. ▪ Annually receive the GFOA certificate for the CAFR.
Customer Service ▪ Provide services to external and internal customers such as taxpayers, vendors, employees, and core business system users through the processing of payments and receivables, answering customer inquiries and providing proactive communications to the County's residents, taxpayers, and to our internal and external business partners.	▪ $5,666,330 ▪ 51.1 workyears ▪ Bill 357,000 property tax accounts, collecting $1.2 billion in property tax revenue. ▪ Mail 26,000 delinquency notices and reminders. ▪ Answer 48,000 telephone inquiries made to the Treasury call center. ▪ Process 72,000 transfer office transactions. ▪ Process 95,000 cashier transactions. ▪ Issue 283,000 paychecks and payroll advices. ▪ Issue 153,000 vendor payments and process 31,000 procurement card transactions. ▪ Prepare 6,000 payment vouchers. ▪ Prepare 2,600 and review and post 7,450 journal entries. ▪ Support 1,269 users of County Core Business Systems, and process 2,700 service requests from users.
Promote a Safe & Healthy Work Environment Ensure the safety of our employees, volunteers, and visitors through the promotion of a safe and healthy work environment for County employees.	▪ $42,824,610 ▪ 27.6 workyears ▪ Conduct 150 training classes. ▪ Review 200 self-inspection reports. ▪ Review 8,100 contracts for adequate insurance coverage. ▪ Use County leverage and industry knowledge to avoid excess insurance costs.

SOUND FINANCIAL MANAGEMENT

Performance

Bond Ratings

Interest Rate Comparison

Basis Point Spread				
FY04	FY05	FY06	FY07	FY08
33.9	37.06	-20.89	35.21	39.09

Revenue Projection Performance

Mean Percent Error was 2.8% from 1981 to 2008. Standard Deviation for that period was 3.5%.

Investments Performance

County's Investment Income Compared to Investment Income @ Local Government Investment Pool (LGIP) Rate				
	FY 04	FY05	FY06	FY07	FY 08
County Avg. Annual Portfolio Balance	$565,961,721	$710,178,799	$883,587,953	$930,855,484	$971,351,346
County Annual Investment Income	$6,410,745	$15,553,275	$36,422,693	$48,472,654	$42,849,042
County Investment Income @ LGIP Rate	$4,754,078	$13,564,415	$34,636,648	$47,008,202	$36,425,675
Additional Income v. LGIP Rate	$1,656,667	$1,988,860	$1,786,045	$1,464,452	$6,423,367

Revenue Forecasting
Percent Differences between Actual Revenues to Original Budget Estimates

Jurisdiction	FY2005	FY2006	FY2007	Three-Year Avg.
City of Baltimore	5.4%	6.4%	4.2%	5.3%
Baltimore County	7.9%	8.0%	5.1%	7.0%
Howard County	4.0%	6.1%	2.0%	4.1%
Anne Arundel County	3.2%	5.9%	5.8%	5.0%
Prince George's County	11.1%	12.4%	3.2%	8.9%
FIVE JURISDICTIONS COMBINED	**6.7%**	**8.9%**	**3.7%**	**6.4%**
MONTGOMERY COUNTY	**5.0%**	**6.5%**	**5.7%**	**5.7%**

SOURCES: County's Financial Statements (CAFRs)

Notes:
The County benchmarks its interest rate results, known as the true interest cost or "TIC" on its G.O. bond issues against an industry benchmark, the MMD. The lower the difference or "spread" over the benchmark, the better the County's credit performed for that particular bond issue. FY08 -10 reflect average performance of the last three years.

The agencies who rate Montgomery County's bonds review the County's financial management practices as an indicator of its ability to avoid or manage through times of fiscal stress and meet commitments to repayment of debt. A lack of perceived sound financial management can result in ratings actions such as negative outlooks, negative watches, or, in severe cases, downgrades to a lower grade rating.

The Story Behind the Performance

Contributing Factors:

- Healthy, Growing Economy And Tax Base
- Sound Fiscal Policies:
    - Long Term Fiscal Planning. Multi-year Fiscal Planning is in place, stand alone fiscal plans are published annually.
    - Long Term Capital Planning. Six-year Capital Improvements Programs is in place, with operating budget impacts and certain revenues tied to operating projections.
    - Prudent Revenue and Expenditure Assumptions. In addition to trend analysis, Montgomery County reviews additional data to perform independent and comprehensive forecasting of key revenue sources.
    - Monitoring of Budget Amendments and Updates. Quarterly budget surveillance is performed for all departments and reported to the County Council. Revenue sources are monitored monthly and intra-year updates performed
    - Investment Management Policies. Formal Investment Policy in place, approved by County Council. Update underway for new State legislation that adds new money market funds and increases Commercial Paper purchases.
    - Debt Management Policies. County Fiscal Policy includes Debt Management Policies; dedicated unit monitors and reports.
    - Reserve and Liquidity Policies. County Fiscal Policy includes 6% reserve policy; Revenue Stabilization Fund established by law.
- Award Winning Financial Reporting. Reporting is consistent with Certificate of Achievement of Excellence in Financial Reporting Award from GFOA
- Dedicated Debt Management, Cash Management and Investment Staff.
- Banking Relationships. Active management of banking practices and relationships
- Legislative Support. Staff actively monitors and evaluates the impact of proposed legislation at the County, State, and Federal level.
- Consultation and Advice. Experienced, competent staff provides considerable consultation and advice to all departments and agencies on all fiscal matters.
- Proactive Updates for Rating Agencies. Finance actively seeks to keep the rating agencies apprised of economic and revenue conditions in the County and in the region.
- Reliable Data. Current and reliable demographic, economic, and financial data.

Restricting Factors:

- Workload vs. Responsiveness. High demand for service, consultation, and advice, plus other workload pressures creates a tension between the ability to promptly respond to new requests and accomplishing ongoing workload.
- Expenditure Pressures. Gaps between budget pressures and available resources can result in temptations to deviate from fiscal policies
- Rapidly Changing Technology and New Technology Initiatives. Various new initiatives that include technological and program advances will contribute one day to improved financial management. However, during planning and implementation, these same initiatives require significant dedication of resources from both dedicated project staff and also current, remaining management staff which detract from ongoing workload accomplishment.

- <u>Staff Turnover</u>. Staffing changes accompanying the change in administration combined with staffing up of new initiatives and strong employment competition in the finance and IT areas have resulted in significant vacancies, exacerbating already severe workload pressures.
- <u>External Factors</u>: Unanticipated changes in national economic and financial activity, in international economic and financial activity, in federal procurement and employment, unanticipated changes to federal and state tax policies, to local tax policy, and unanticipated changes in socioeconomic characteristic of the County's population will reduce the accuracy of revenue projections.
- <u>Technical Factors</u>: Unanticipated changes to money market interest rates resulting from policies of the Federal Reserve System, and revisions to baseline economic and financial data by external sources serve to reduce the accuracy of revenue projections.

What We Propose to Do to Improve Performance

- <u>Focus Resources on Staffing</u>. Finance will identify key staff to provide dedicated staffing support, or "expediter" services to ensure continuous movement through the multi-step hiring process. Finance has also initiated strong coordination efforts with our partners in the Department of Human Resources, and developed streamlined processes to improve and hasten the hiring and filling process.
- <u>Proactive Communication and Promulgation of Policies and Procedures</u>. A focus on proactive communications with departments and general education of both Finance managers and staff.
- <u>Business Process Review (BPR) and Enterprise Resource Planning (ERP)</u>. Finance is a key participant in major projects to review and re-engineer County core business processes and to replace and update the County's Core Business Systems and adjunct systems providing key services to Montgomery County and our Customers.

<u>CUSTOMER SERVICE</u>

Treasury—Call Center Performance

**DIVISION OF TREASURY
CALL CENTER OPERATIONS
(Average Number of Seconds To Answer Call)**
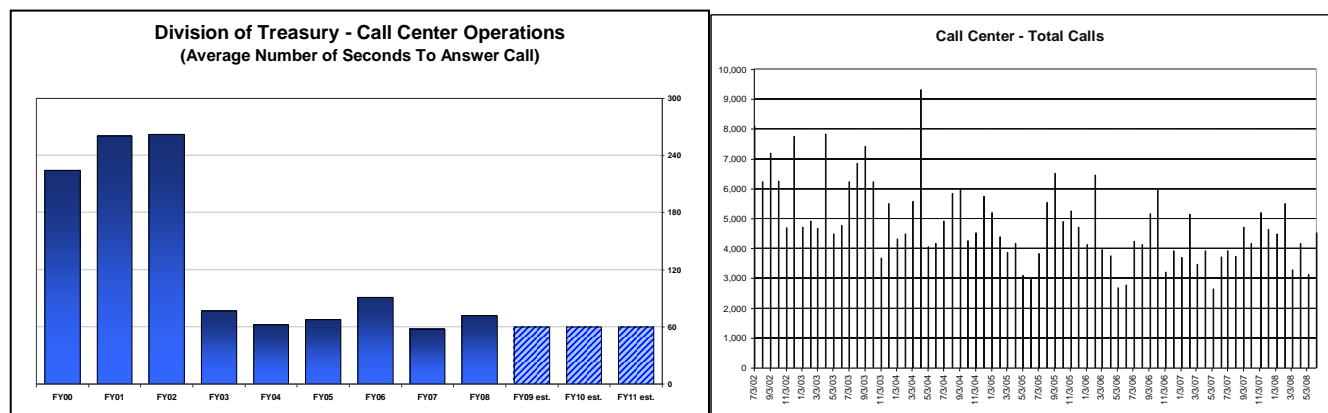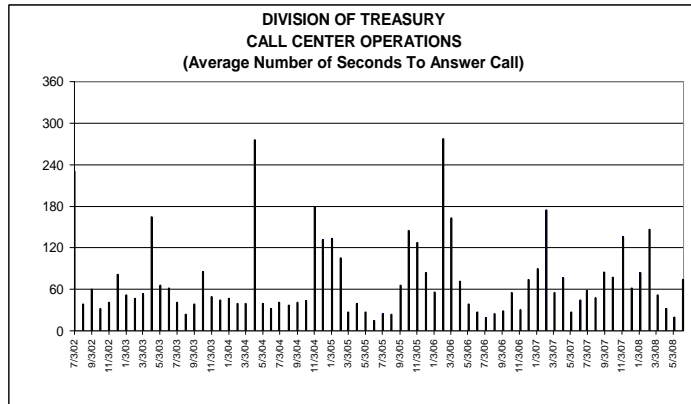
The Story Behind the Performance
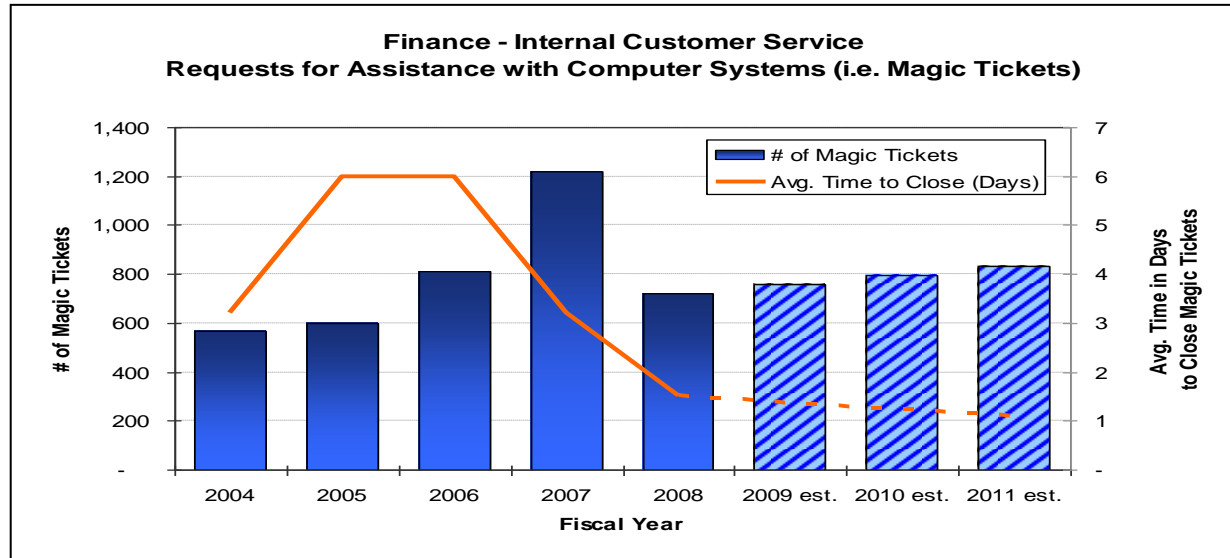
Contributing Factors:

- Maximized Use of Web. As more and more useful information is posted on the County's web site and customers have become aware of that information, call volume has steadily decreased.
- Additional and Flexible Staffing. In FY2006, an additional call taker position was added to the Treasury Call center, and other division employees received cross training to be available to fill in during times of peak call volume.
- Implementation of Client Oriented Web Sites and Paperless Processes. Within the last several years the Department has developed and continues to operate award-winning client programs such as the e-Transfer program, which allows title companies and title attorneys to calculate and pay Transfer Taxes through a paperless system, a Property Tax Lender site, which provides a way for mortgage companies to pay, en masse, the property taxes for all of the mortgages that they hold in the County and the County Property Tax Website that allows taxpayers to review and download their tax bill, review historical account info, and make payments on line using several payment options. Additional sites such as a dedicated debt management and disclosure web site and a realtor website provide very specific information tailored to client segments that otherwise would have to telephone the Department for information.
- Public Outreach. In FY09 the Division of Treasury expanded their public outreach program to provide directly to County taxpayers information about County taxes. Treasury has had a presence at the County Fair, the Hispanic Heritage Health Festival in Wheaton, and the Housing Fair and Financial Literacy Day in Gaithersburg.

Restricting Factors:

- Outdated and Inflexible Systems. An outdated and inflexible financial billing and collection system limits the County's ability to respond to special requests for billing services from departments, agencies, and other governmental entities.
- Multiple, Fragmented Business Systems. Core business systems are hosted by various departments and exist on separate platforms using separate databases. This hinders the ability to resolve inconsistencies in data and support users on multiple systems.

- <u>Increasing Complexity and Changes in Tax Law</u>. Increasing complexity and changes in tax law generates confusion and questions from taxpayers.

Systems Control—Performance

Finance - Internal Customer Service
Requests for Assistance with Computer Systems (i.e. Magic Tickets)

The Story Behind the Performance

Contributing Factors:

- <u>Well-Trained Staff</u> understand how the systems function and who to go to if unsure of the correct answer.
- <u>Computer based training</u> allows us to reach a broader audience in a more timely manner.
- <u>Technology</u> such as Blackberrys have helped in communications when resources need to be reached.
- <u>Experience and training</u> are also contributing factors as two staff members have now been in Systems Control for 5 years.
- <u>Enhanced the Training Materials</u> to capture the more common problems and address them in a clear and concise way.
- <u>DTS</u> has been a resource to assist in good performance. The Mainframe team has been instrumental in helping us make enhancements to processes and applications to improve customer service.

Restricting Factors:
- <u>Limited resources</u> allow for only one class per month for each of the five classes conducted by Finance.
- <u>Staff turnover</u> causes a steeper learning curve before the new employee is an expert. The systems are vast and complex and require time to learn all of the possible scenarios that users call about.

- <u>Outside factors</u> include departments asking non-financial people to perform finance related tasks. These users have a more difficult time grasping the accounting and systems concepts and require a lot of assistance.
- <u>Users that are not Well-Trained</u>: Some users call about the same topic multiple times because they are performing job functions that are not in their realm of expertise.
- <u>Project work</u> which limits/restricts staff availability to research and close Magic Tickets. (Projects include ERP, MCtime, numerous automated interfaces into FAMIS to accommodate new service partners (PNC Bank, Duncan Solutions) and the addition of internal interfaces such Munis).

What We Propose to Do to Improve Performance

- <u>Business Process Review (BPR), Enterprise Resource Planning (ERP), and Constituent Relationship Management</u>. Finance is a key participant in major projects to review and re-engineer County core business processes and to replace and update the County's Core Business Systems and adjunct systems providing key services to Montgomery County and our Customers. The planned implementation of a Constituent Relationship Management system is expected to enhance our responsiveness to customers, by allowing the Department to track problem resolution and other measures of customer satisfaction.
- <u>Identify Additional Business Improvement Opportunities</u>. Based on its success with E-transfer and various client-based web sites, Finance will continue to move towards paperless processing and information dissemination wherever possible. Opportunities to be further explored include electronic vendor payments, vendor advices, and pay advices, and continued implementation of electronic timesheets. The Department of Finance will continue to identify opportunities to maximize the resources of the County's intranet and the internet by posting information and by operating specific programs for clients.
- <u>Improved Approach to Systems Control and Training.</u> With the expected implementation of ERP and fully integrated core business systems, the Department will continue to enhance its training content and its training delivery mechanisms, by testing business requirements prior to issuing RFPs for new systems and by testing business requirements during the implementation of new systems and by thoroughly testing the configuration of business requirements during the implementation of new systems.

PROMOTION OF A SAFE AND HEALTHY WORK ENVIRONMENT

Performance
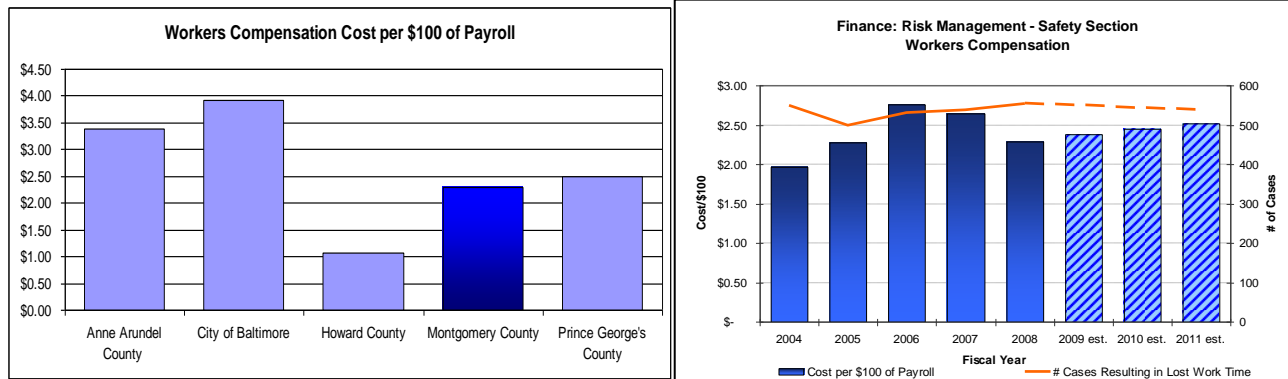
Note: Workers Compensation cost per $100 of payroll is an insurance industry benchmark used to calculate premiums and to gauge program results.

The Story Behind the Performance

Contributing Factors:
- Experienced and Dedicated Staff.
- Proactive Facility Inspections: Conducts an annual self inspection of all facilities to identify potential hazards in the work environment and develops action plans to correct deficiencies.
- Best Practices Guidance: Re-investigate injury reports to identify root causes and provide best practices guidance to departments to prevent reoccurrence.
- Safety Training: Provide specific and timely training to employees on safety topics related to their job functions.
- Support from Departments: Cooperation and support from departments in ensuring the safety of the work staff and environment

Restricting Factors:

- Increasing Cost of Benefits. Wage replacement benefits increase each year based on the State average weekly wage.
- Expanded Benefits. Recent legislation has expanded benefits for some Public Safety employees (Deputy Sheriff and Correctional Officers).
- Medical Inflation. Medical Inflation is trending higher than other inflationary cost increases.
- Higher Incidence of Benefits Awards. The Maryland Worker's Compensation Commission has trended in recent years towards granting higher awards of compensation for permanent partial disability benefits.
- Safety Course Enrollment. Department heads are notified quarterly of the accidents and injuries that have occurred in their department. Safety Academy courses are available to

help departments prevent accidents and injuries but are under-utilized by the departments that have high accident frequency and severity.

- Department Management Responsibility: Management not taking responsibility, nor being held responsible, for failures in providing a safe work environment

What We Propose to Do to Improve Performance

- Increase Safety Awareness. Develop and implement a safety awareness campaign throughout County government, using outreach, communication, and education to increase safety awareness and promulgate the reasons for and importance of safety measures. We will continue to focus our safety program on behavioral factors and establishing a safety culture.
- Implement Mandatory Safety Awareness Training Program. To improve safety and accountability in departments with a high frequency and severity of claims with lost time, we will seek to make training for all employees mandatory. We will continue to constantly update the training we deliver to our customers to ensure it is appropriate and current. We will work with OHR and the Computer Based Training initiative to provide training sessions that can be delivered to employees while at their work stations.
- Explore Best Practices. Within existing resources, survey best practices in other jurisdictions of similar size and complexity for ideas on safety programs and practices.
- Participate on Accident Review Committees. We will continue to support and participate with departments on Accident Review Committees focusing on identifying hazards and working with them to reduce the level of risk faced by County employees carrying out the department's mission.
- Enhance Training Programs. To improve performance the Department will continue to enhance training content and training delivery mechanisms, by annual reviews of programs ensuring compliance with all federal, state, and local laws.
- Apply Automation to Reporting. We will work with DTS to automate our Self - Inspection Program providing efficiency in reporting safety issues and auditing department performance in trying to achieve a safer work environment. The DTS (and DCM) are the Department's primary partners in this area.

Appendix A:

Budget

Appendix B

Implementation

Appendix C

Data Development Agenda

Addendum

1) **Partnerships /Collaborations**:

Partner with Multiple Departments in System Implementation Steering Committees.
Finance is an active participant on multiples Steering Committees and Project Work
Groups for major IT system projects such as ERP, MCtime, and CRM.

Banking Users Group. Finance has identified a need for enhanced communication with
staff throughout the County government and associated agencies that manage or are
responsible for bank accounts using the County's Tax ID number. Additional
communication will allow for greater compliance with fiscal policies and an active group
to coordinate in regards to additional controls or other actions that may be needed.

Early Involvement in New Revenue Programs. Finance is collaborating with other
departments in a multi-disciplinary way in the implementation of new revenue collection
systems such as Fire Code Enforcement Fees and the review of possible Ambulance
Fees. This approach includes staff from accounting, cash management, audit and
compliance, and banking disciplines.

2) **Innovations:**

Implementation of Paperless Processes and Client Oriented Web Sites - Within the last
several years the Department has developed and continues to operate award-winning
client programs such as the e-Transfer program, which allows title companies and title
attorneys to calculate and pay Transfer Taxes through a paperless system, and a
Property Tax Lender site, which provides a way for mortgage companies to pay, en
masse, the property taxes for all of the mortgages that they hold in the County.
Additional sites such as a dedicated debt management and disclosure web site and a
realtor website provide very specific information tailored to client segments that
otherwise would have to telephone the Department for information.

Develop New and Improved Payment Methods – Finance is creating a work group with
key DTS staff and several user agencies such as Recreation, Community Use of
Schools and Liquor Control to develop alternative payment methods for Countywide
transactions. A County issued stored value card, similar to WMATA's SmarTrip card,
could be pre-loaded with value at County Kiosks or banks, but could be used for various
transactions throughout the County. There is a critical need for innovations such as this
as an alternative to spending millions of dollars to achieve compliance with Payment
Card Industry standards related to the wide range and nature of transactions that
currently exist.

ERP, MCtime, CRM – Numerous innovations are expected to come out of the end-state
visioning associated with these major County initiatives.